



# ADVISORY BUSINESS TAX

INTERNATIONAL BUSINESS COMPANIES  
LICENSED TO TRADE IN FINANCIAL AND  
COMMODITY BASED DERIVATIVES AND  
OTHER SECURITIES

AND

PAYMENTS TO NON-RESIDENTS

## ACRONYMS

<i>BTSD</i>	<i>Belize Tax Service Department</i>
<i>BZ</i>	<i>Belize</i>
<i>ES Act</i>	<i>Economic Substance Act, 2019</i>
<i>EU</i>	<i>European Union</i>
<i>IBC</i>	<i>International Business Companies</i>
<i>IBC Act</i>	<i>International Business Companies Act, Chapter 270 Laws of Belize, R.E. 2011</i>
<i>IBT Act</i>	<i>Income and Business Tax Act, Chapter 55 Laws of Belize, R.E. 2011</i>
<i>IFSC</i>	<i>International Financial Services Commission</i>
<i>IFSC Act</i>	<i>International Financial Services Commission Act, Chapter 272 Laws of Belize, R.E. 2011</i>
<i>TAPA</i>	<i>Tax Administration and Procedure Act, 2019</i>

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## OBJECTIVE

- 1.1 *The objective of this advisory is to set out the Director General’s interpretation of the application of specific provisions of a tax law to the transactions specified below. In this advisory, the applicable tax law is the Income and Business Tax Act (“IBT Act”).*
- 1.2 *While this advisory sets out the Director General’s interpretation of specific provisions of the IBT Act, it does not necessarily predict how the specified transactions will be treated for tax purposes in all circumstances.*
- 1.3 *The purpose of this advisory, consistent with that of rulings, is to achieve consistency in the administration of tax legislation and to provide guidance to the public and officers of the Belize Tax Service Department (“BTSD”).*

## 2.0 RELEVANT PROVISIONS OF THE IBT ACT

2.1 *The relevant provisions of the IBT Act are:*

- *Section 2*
- *Section 105*
- *Section 106 (1), (5)*
- *Section 107, Eight Schedule, and the Ninth Schedule*
- *Section 108 A*
- *Section 113 (2), (3)*

## 3.0 DEFINITIONS

- 3.1 *“Belize Tax Service Department” or “BTSD” means the Department created pursuant to Section 5 of the TAPA and which is under the overall control of the Minister responsible for Finance;*
- 3.2 *“Business” means any trade, manufacture, adventure, or concern in the nature of trade;*
- 3.3 *“Business Tax” means the tax levied under Section 106, Part X, of the IBT Act;*
- 3.4 *“Commission” means a sum or percentage paid to an agent from the profits of goods, etc., sold or business obtained;*

- 3.5 *“Company” means any company incorporated or registered under any law in force in Belize, and any company which though incorporated or registered outside Belize, carries on business, or has an office or place of business in Belize;*
- “Consultant” refers to a person providing professional advice etc. especially for a fee and “consultancy” is to be construed as services provided by a consultant pursuant to a contract of engagement;*
- 3.7 *“Director General” refers to the Director General of the Belize Tax Service Department appointed pursuant to Section 4 of the TAPA;*
- 3.8 *“International Business Company” or “IBC” means a company incorporated pursuant to Section 3 or continued pursuant to Section 2 (3) of the International Business Companies Act (“IBC Act”);*
- 3.9 *“Management Fees” means payment for the provision of industrial or commercial advice or for management or technical services or similar services or facilities;*
- 3.10 *“Permanent Establishment” means a fixed place of business through which the business of a person is wholly or partly carried on and includes a place of management; a branch; an office; a factory; a workshop; a mine; oil or gas well; a quarry or other place of extraction of natural resources; a building site, construction, assembly or installation project or supervisory activities in connection therewith, if such site, project or activities last more than six months; the furnishing of services, including consultancy services by an enterprise through employees or personnel engaged by the enterprise, if the activities of that nature continue within the foreign country for a period or period aggregating more than 183 days in any 12-month period;*
- 3.11 *“Person” means a natural person or a legal person and includes a firm, a branch, and a body of persons, whether corporate or unincorporated;*
- 3.12 *“Product” means a thing, substance or result produced by natural process or manufacture;*
- 3.13 *“Professional” means any person or firm or any body of persons (whether corporate or unincorporated) engaged in a vocation or occupation in Belize, including, but not limited to, the vocations, and occupations listed in the Eighth Schedule of the IBT Act;*
- 3.14 *“Non-Resident” means any person who is not a resident as defined in this advisory;*
- 3.15 *“Rental” means payments of any kind received as consideration for the hire of plant or machinery or equipment of any kind or description but does not include payments made under bona fide hire purchase agreements;*
- 3.16 *“Related Party” means a person that is related to an entity resident in Belize– (a) namely, a person or a close member of that person’s family is related to such resident entity if that person has control, joint control, or significant influence over the entity or is a member of*

*its key management personnel; (b) if, among other circumstances, it is a parent, subsidiary, fellow subsidiary, associate, or joint venture of such resident entity, or it is controlled, jointly controlled, or significantly influenced or managed by a person under paragraph (a);*

- 3.17 *“Resident” means an individual domiciled in Belize, or who spends more than 183 days of the year of assessment in Belize; a company; a trust with a resident trustee; a body of persons formed under the laws of Belize; and, in the case of an IBC, means an included entity under the Economic Substance Act, 2019 (“ES Act”);*
- 3.18 *“Royalty” means a sum paid to a patentee for the use of a patent or to an author etc. for each copy of a book etc. sold or for each public performance of a work;*
- 3.19 *“Securities” mean financial and commodity-based derivative instruments and other securities such as futures, options, interest rates, foreign exchange instruments, shares, stock, contracts for differences, etc.;*
- 3.20 *“Service” means assistance, advice, or labour provided in exchange for valuable consideration; and,*
- 3.21 *“Technical” means requiring a high degree of training; of or relating to a particular subject or craft, etc. or its techniques; using technical language, requiring special knowledge to be understood; or making specialized knowledge and skills available to users.*

#### **4.0 RATE OF BUSINESS TAX ON RECEIPTS FROM TRADING IN SECURITIES**

- 4.1 *An IBC whose business activity is trading in financial commodity-based derivative instruments and other securities is liable to pay business tax on the gross receipts at the rate of **1.75%**, according to paragraph (d) of the Ninth Schedule of the IBT Act. Those receipts are classified as “receipts from other trade or business”.*
- 4.2 *An IBC who also provides consultancy services in relation to trading in securities is liable to pay business tax rate on the gross receipts derived from consultancy services at the rate of **6%**, which is applicable to a profession, vocation, or occupation according to paragraph (f) of the Ninth Schedule of the IBT Act. Consultancy is listed as a profession in paragraph 6 of the Eight Schedule of the IBT Act.*
- 4.3 *A credit against tax is allowed for any income or withholding tax paid to a foreign country in respect of gross receipts attributable to a business conducted outside Belize having a permanent establishment located in a foreign country. The foreign tax credit shall not be more than the amount of business tax payable on such receipts.*

- 4.4 *An IBC who trades in securities is an entity regulated by the International Financial Services Commission (“IFSC”), is required to have substantial economic presence in Belize under the Economic Substance Act, 2019 (“ES Act”) and is considered a resident under both the International Business Companies Act, Chapter 270 Laws of Belize (“IBC Act”), as amended by the IBC (Amendment) Act (No.2), 2019 and under the IBT Act.*

## **5.0 PAYMENTS TO NON-RESIDENTS FOR SOFTWARE AND RELATED LICENSES**

- 5.1 *Payments to non-residents for software and related licenses, including payments for the purchase of custom-developed software are not charged with the withholding tax levied by Section 113(3) of the IBT Act.*
- 5.2 *Section 113 (3) of the IBT Act applies to payments of management fees, rental of plant or equipment, charges of technical services and insurance premium. A license, in this context, is a permit to use or exercise a right which would otherwise be exercisable exclusively by the owners of the right given in exchange for valuable consideration. A software is considered a product, not a service. Therefore, payments for a software or a license are not considered payments for management fees, charges for technical services, or rental of plant or equipment.*
- 5.3 *“Management fees, rental of equipment and charges for technical services” do not include,*
- (i) revenue replacement duty on fuel;*
  - (ii) supply sales by a designated bulk fuel importer to other bulk fuel supplier;*
  - (iii) excise duty;*
  - (iv) accommodation tax payable under the Hotels and Tourist Accommodation Act;*
  - (v) sales tax payable to Government;*
  - (vi) funds received as an agent; or*
  - (vii) any payment by a PIC Group Company of:
    - (a) a dividend or other distribution (whether by way of distribution of a profit of an income or capital nature); or*
    - (b) interest or principal on any indebtedness, to the PIC or to another PIC Group Company;**
  - (viii) absolute and immediate gifts amounting in the aggregate to five hundred dollars or more, taking effect in Belize, for sports, religious, charitable, educational, or cultural purposes or for the improvement of amenities in towns or villages, up to a maximum of \$30,000 per annum, provided that the Commissioner is satisfied that the gifts were made.*

## **6.0 PAYMENTS TO NON-RESIDENTS FOR MAINTENANCE, WEB HOSTING AND SERVICE ACTIVITIES**

6.1 *Payments to non-residents for the maintenance, web hosting and service activities directly connected to the purchased software and licenses are charged with the withholding tax of twenty-five percent (25%) of payments, under Section 113 (3) of the IBT Act.*

6.2 *Payments for the maintenance, web hosting and service activities are considered payments of management fees and/or charges for technical services.*

## **7.0 PAYMENTS TO NON-RESIDENTS OF COMMISSIONS AND ROYALTIES**

7.1 *Payments of commissions and royalties for software licenses and intellectual property rights to non-residents are not charged with a withholding tax. Section 113 (3a) of the IBT Act, which levied a withholding tax of fifteen percent (15%) for payments of commissions and royalties to non-residents, was repealed by the IBT (Amendment) Act, 2009.*

## **8.0 PAYMENT TO NON-RESIDENTS FOR BANK FEES, CARD ACQUIRER FEES AND SIMILAR FEES**

8.1 *Payments to non-residents for bank fees, local payment providers fees, card acquirer's fees and other similar fees are charged with a withholding tax of twenty-five percent (25%) of payments, according to Section 113 (3) of the IBT Act.*

8.2 *Payments for bank fees, local payment providers fees, card acquirers' fees and other similar fees are considered payments of management fees and/or charges for technical services.*

## **9.0 PAYMENTS TO NON-RESIDENTS FOR MARKETING SERVICES, SERVICES RELATED TO ADS ETC.**

9.1 *Payments to non-residents for marketing services, services directly connected to ads and content are charged with a withholding tax of twenty-five percent (25%) of payments, under Section 113 (3) of the IBT Act. These are considered payment of management fees and/or charges for technical services.*

9.2 *Payments for ads and content themselves are not charged with the withholding tax under Section 113 (3) of the IBT Act. Ads and content are considered products, not services. Payments for products are not payments for management fees or charges for technical services.*

## **10.0 PAYMENT OF DIVIDENDS TO A TAX RESIDENT**

- 10.1 *Payments of dividends to a shareholder who is tax resident in Belize, whether he or she is related party of the company paying the dividends, are charged with the withholding tax of fifteen percent (15%) of payments pursuant to Section 113 (2) of the IBT Act.*
- 10.2 *Payments of dividends to IBCs that are pure equity holding companies or holding companies not engaged in an active trade or business or in relevant activities for the ES Act are not charged with the withholding tax. The business tax on the gross receipts of these IBCs is 0%, according to the Ninth Schedule of the IBT Act, as amended by the IBT (Amendment) Act, 2021.*

## **11.0 PAYMENT OF DIVIDENDS TO A NON-RESIDENT**

- 11.1 *According to Section 113 (2A) of the IBT Act, as amended by the IBT (Amendment) Act, 2021, payments of dividends made by a company or IBC tax resident in Belize to a non-resident is not charged with the withholding tax if the non-resident is a related party or a company which is:*
- a. Resident of a country other than a country on the European Union list of non-cooperative jurisdiction;*
  - b. Has no permanent establishment in Belize; and,*
  - c. Self-certifies in the prescribed form that the dividend is taxable under the laws of the relevant country of residence.*

**ISSUED BY:**

**THE DIRECTOR GENERAL  
BELIZE TAX SERVICE DEPARTMENT  
JULY 2021**